

NORTH CAROLINA EDUCATION LOTTERY

**INVITATION TO BID
LOTTERY PRIZE ANNUITY FUNDING**

ITB # LC-000017

January 22, 2008

PART I- GENERAL INFORMATION	1
1.1 INTRODUCTION	1
1.2 BID SUBJECT TO PUBLIC RECORDS LAWS	1
1.3 REJECTION OF BIDS AND CANCELLATION OF ITB; REISSUE OF ITB	2
1.4 BID VALIDITY; INCURRED EXPENSES	2
PART II - BID PROCESS	2
2.1 SUMMARY OF KEY DATES	2
2.2 CONTACT PERSON	2
2.3 INQUIRIES	3
2.4 BID SUBMISSION AND FORMAT	3
2.5 MULTIPLE VENDORS AND JOINT PROPOSALS	3
2.6 CHANGES, MODIFICATIONS AND CANCELLATION	4
2.7 BID CONSTITUTES OFFER	4
2.8 BID EVALUATION	4
2.9 DISPUTE PROCEDURE	4
2.10 NEGOTIATION AND EXECUTION OF CONTRACT	4
2.11 NONEXCLUSIVE RIGHTS	5
PART III – BID TERMS AND CONDITIONS	5
3.1 GOVERNING LAW	5
3.2 CONTRACT ELEMENTS	5
3.3 SUBCONTRACTING; ASSIGNMENT; COMPLIANCE	5
3.4 TERM OF CONTRACT	5
3.5 PATENTS, COPYRIGHTS, TRADEMARKS, TRADE SECRETS AND OTHER	6
3.6 WARRANTIES	6
3.7 BOOKS AND RECORDS; AUDIT REQUIREMENTS	6
3.8 INSURANCE	6
3.9 TAXES, FEES AND ASSESSMENTS	7
3.10 NEWS RELEASE	7
3.11 NONDISCRIMINATION	7
PART IV – BID REQUIREMENTS	7
4.1 MANDATORY COMPONENTS; VENDOR COMMITMENT	7
4.2 VENDOR CONTACT PERSON	7
4.3 BACKGROUND INFORMATION	7
4.4 DISCLOSURE OF LITIGATION AND LEGAL MATTERS	8
4.5 FINANCIAL SOUNDNESS	8
4.6 VENDOR BACKGROUND, EXPERIENCE AND CAPABILITIES	8
4.7 PERSONNEL	9
4.8 SCOPE OF SERVICES	9
4.9 COMMITMENT TO NONDISCRIMINATION AND MINORITY PARTICIPATION	11
PART V - COST	12
5.1 PRICING FORMULA	12
ATTACHMENT A	13
ATTACHMENT B	15
ATTACHMENT C	18
ATTACHMENT D	19

PART I- GENERAL INFORMATION

1.1 INTRODUCTION

The North Carolina Education Lottery ("**NCEL**") is soliciting bids through this procurement (the "**Procurement**") and Invitation To Bid ITB # LC-000017 ("**ITB**") to invite responsible bids ("**Bids**") from qualified and reputable firms ("**Vendors**") who will be asked by the NCEL in the future to submit a price quotation on each annuity grand prize as awarded by the NCEL. The NCEL currently intends to execute up to seven (7) contracts (the "**Contracts**") as a result of this ITB; provided, however, nothing obligates the NCEL to sign any Contract, and the NCEL may do whatever it determines in their sole discretion to be in the best interests of the NCEL and the State of North Carolina.

As stated above, the NCEL would subsequently enter into another contract with the successful bidder who submitted the most favorable price quotation per annuity prize to provide the funding for the Lottery winner's annual prize payments and provide a return on the NCEL's initial funding as more fully described in this ITB.

Grand or jackpot prizes (the highest prizes that can be won) from any NCEL games, including instant and/or on-line games, will be a minimum amount of one million dollars (\$1,000,000.00). The prize will be paid annually over a period of twenty (20) years with the first payment being made by the NCEL and the remaining nineteen (19) payments being made by the successful bidder. The NCEL may consider launching a "Win For Life" game which may offer a top prize of guaranteed annual prize payments for the winner's life, paying a maximum of sixty (60) years and a minimum of twenty (20) years. As new game concepts are developed over the life of the Contracts, there may be other annuity payments which would be part of a game award. Details on the type of annuity and the length of annuity payments required will be provided by the NCEL at the time it requests a specific price quotation request to the Vendors.

All Bids and Contracts are automatically subject to the requirements of, and must comply with, the North Carolina State Lottery Act (the "**Act**") and the regulations, policies and procedures of the NCEL as they may be adopted or amended from time to time (collectively, the "**Regulations, Policies and Procedures**"), as they may be changed from time to time. Copies of these documents may be obtained either from the NCEL or through a link on the NCEL's web site, www.nc-educationlottery.org (the "**Websites**").

1.2 BID SUBJECT TO PUBLIC RECORDS LAWS

All Bids, data, materials and documentation originated, prepared and submitted to the NCEL pursuant to this ITB shall belong exclusively to the NCEL and may become available to the public in accordance with the North Carolina Public Records Act as provided in N.C.G.S. §132-1 et. seq. (the "**Public Records Laws**"). The NCEL will make reasonable attempts to maintain, in accordance with the Public Records Laws and the Act and all applicable laws of its domicile, the State of North Carolina and the United States of America (all of the forgoing being collectively defined as, the "**Applicable Laws**"), the confidentiality of any trade secrets or confidential information that meets the requirements of N.C.G.S. §132-1.2 of the Public Records Laws (collectively, "**Confidential Information**") if such Vendors properly and conspicuously identify the particular data or other materials which are Confidential Information in accordance with the Public Records Laws.

1.3 REJECTION OF BIDS AND CANCELLATION OF ITB; REISSUE OF ITB

Issuance of this ITB does not constitute a commitment on the part of the NCEL to award or execute any Contracts. The NCEL retains the right, in its sole discretion, at any time to reject any or all Bids, in whole or in part, and to cancel or cancel and reissue this ITB, before or after receipt and opening of Bids in response thereto, or take any other actions, if it considers it to be in the best interests of the NCEL.

1.4 BID VALIDITY; INCURRED EXPENSES

All Bids shall remain valid for fourteen (14) calendar days (the "**Bid Offer Period**") after 4:00 p.m. Eastern Standard Time ("**EST**") February 1, 2008 (the "**Bid Deadline**"). A Bid constitutes an offer by the Vendor to contract with the NCEL in accordance with the terms of the Bid and this ITB, which offer is irrevocable for the duration of the Bid Offer Period and may not be withdrawn or amended during the Bid Offer Period without the written consent of the NCEL. The NCEL shall not be liable or responsible for any costs, expenses, reimbursements or fees incurred by a Vendor in preparing and submitting a Bid or in performing any other action in connection with this Procurement.

PART II - BID PROCESS

2.1 SUMMARY OF KEY DATES

The NCEL reserves the right to change any dates and schedule contained in this ITB, including those shown below. If changes are made, the changes will be communicated on the NCEL's Website.

January 22, 2008	ITB Issuance Date
January 25, 2008	Deadline for submission of Questions 4:00 p.m. EST
January 28, 2008	Answers to Questions 4:00 p.m. EST
February 1, 2008	Deadline for submission of Bids 4:00 p.m. EST

DELIVERY ADDRESS:

North Carolina Education Lottery Headquarters
Lottery Prize Annuity Funding ITB
(ITB # LC-000017)
2100 Yonkers Road
Raleigh, NC 27604

February 16, 2008	Target date for Contract Execution
--------------------------	------------------------------------

2.2 CONTACT PERSON

The sole point of contact (the "**Contact Person**") for inquiries and additional information concerning this ITB (ITB # LC-000017) and Procurement will be William Bryant, who can be reached as follows:

Email: bid.submission@lotterync.net

Fax: **919-715-8831**
Re: **ITB # LC-000017**

North Carolina Education Lottery
Lottery Prize Annuity Funding ITB
2100 Yonkers Road
Raleigh, NC 27604

No direct or indirect contact or other solicitation initiated by Vendors or their representatives should occur with any NCEL employee other than the Contact Person.

2.3 INQUIRIES

All inquiries regarding this ITB must be submitted in the form of questions or requests for clarification (collectively, the "**Questions**"). Such Questions must be in writing and received by the Contact Person identified in Section 2.2 of this ITB on or before 4:00 p.m. EST on January 25, 2008 (the "**Question Deadline**"). The NCEL's responses (the "**Answers**") to Questions properly received prior to the Question Deadline will be posted on the NCEL's Website.

2.4 BID SUBMISSION AND FORMAT

Bids must be received by the Contact Person no later than the Bid Deadline in sealed envelopes or containers. A Vendor should submit a signed original and five (5) reproduced complete copies of its Bid. Late Bids will not be accepted. Vendors should provide information for all numbered items in Parts IV and V, and responses and signatures for any Attachments referenced within, or attached to, this ITB that are due with the Bid. Bids shall be complete and must convey all of the information requested by the NCEL. Also, the Bid must designate a single authorized official from one of the entities to serve as the sole contact between the NCEL and the Vendor.

2.5 MULTIPLE VENDORS AND JOINT PROPOSALS

If the response submitted is a joint Bid that includes multiple Vendors, it must define completely the roles, responsibilities, duties and obligations that each entity that is a part of a joint venture, strategic partnership or prime contractor team proposes to undertake, as well as the proposed responsibilities of each subcontractor of each entity. The Bid must be signed by an authorized officer or agent of each entity. Also, the Bid must designate a single authorized official from one of the entities to serve as the sole contact between the NCEL and the joint venture, strategic partnership or prime contractor team. Any Contract resulting from a joint Bid must be signed by an authorized officer or agent of each entity. Any entity which is part of a joint venture, strategic partnership or prime contractor team included in the submission of a joint bid will be jointly and severally liable during the term of the Contract.

The successful Vendor that submits a Bid whereby any subcontractor will provide some portion of the specifications of this ITB shall retain ultimate responsibility for all Services provided by any subcontractor, and any claims or liabilities arising from or related to the subcontractor's performance. Furthermore, each subcontractor of a Successful Vendor must comply with all of the requirements contained in this ITB. A vendor that submits a bid whereby any subcontractor will provide twenty-five percent (25%) or more of the specifications of this ITB must also provide the information described in Part IV, Bid Requirements, for each such subcontractor.

2.6 CHANGES, MODIFICATIONS AND CANCELLATION

The NCEL reserves the right, in its sole discretion, at any time prior to the Bid Deadline to make changes to this ITB by issuance of written addendum(s) or amendment(s) or to cancel all or part of this ITB and Procurement. Any addendum(s), amendment(s) or cancellation(s) will be posted on the NCEL's Website.

2.7 BID CONSTITUTES OFFER

By submitting a Bid, a Vendor agrees to be governed by the terms and conditions set forth in this ITB, and any amendments thereto, and further agrees that the Contract will incorporate the terms and conditions of this ITB and any amendments hereto and the Questions and Answers, the Vendor's Bid and any terms and conditions subsequently negotiated with such Vendor. A Vendor submitting a Bid must complete and submit, as part of its Bid, the Vendor Certification Form included as **Attachment A**, and made a part hereof.

2.8 BID EVALUATION

A variety of factors shall be considered by the NCEL in determining the Successful Vendors it believes provides the best overall solution at a fair and reasonable rate and consistent with the goals and objectives of the NCEL. The NCEL will conduct a fair, comprehensive and impartial evaluation of all Bids deemed responsive using an evaluation committee (the "**Evaluation Committee**") selected by the Director. The Evaluation Committee may request clarifications or answers to any questions it may have of a Vendor as a result of any information or representations contained in its Bid or otherwise identified, and may ask a Vendor to address technical questions or seek additional information regarding any Bid before completing the initial evaluation.

2.9 DISPUTE PROCEDURE

All claims and disputes, including but not limited to protests related to this ITB, the Procurement and the award of the Contract to the Successful Vendor shall be handled solely and exclusively under and in accordance with the North Carolina Education Lottery Dispute Resolution Procedures (the "**Dispute Procedures**"), as adopted and/or amended from time to time by the NCEL Commission. Any Vendor that submits a Bid hereby expressly acknowledges and agrees that: (a) the Dispute Procedures represent the exclusive procedure and the exclusive forum for binding resolution of all claims, disputes, complaints and Dispute Resolution Requests of any kind relating in any way to any ITB, Procurement, Contract, offer, quote, Bid or agreement entered into by the NCEL; (b) it is estopped from objecting to any court, agency or other entity as to the Dispute Procedures being such sole and exclusive forum for binding resolution; and (c) it agrees to be completely, solely and irrevocably bound by such Dispute Procedures. In addition, each Vendor submitting a Bid irrevocably waives any claim it might have had to protest or object to this ITB or its contents.

2.10 NEGOTIATION AND EXECUTION OF CONTRACT

A Successful Vendor under this ITB shall negotiate and execute the Contract containing such terms and conditions as shall be satisfactory to the NCEL. The occurrence of negotiations with any Vendor(s) conveys no right or status on such Vendor(s). By submitting a Bid, each Vendor acknowledges and agrees that the NCEL may negotiate with one or more Vendors, under such circumstances, at such times and in such a manner as it determines to be in the best interests of the NCEL.

2.11 NONEXCLUSIVE RIGHTS

Nothing in this ITB or any Contract shall preclude the NCEL from purchasing other products or services as the NCEL, in its sole discretion, shall determine.

PART III – BID TERMS AND CONDITIONS

3.1 GOVERNING LAW

This Procurement and any Contract resulting from this ITB shall be governed by and construed in accordance with the laws of the State of North Carolina, including the Act. Any and all claims or disputes arising under or in connection with this ITB or the Contract shall be exclusively governed by the Dispute Procedures, as they may be adopted or amended from time to time by the Commission.

3.2 CONTRACT ELEMENTS

The terms of this ITB, as may be amended by the NCEL from time to time, and the Bid of the Successful Vendor will be incorporated into and form a part of the Contract, as will the Questions and Answers. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the Contract, this ITB and any amendments thereto as well as Answers to the Questions, and finally the Bid of the Successful Vendor, all of which must comply with the Act. The NCEL reserves the right to negotiate the form of contract and offer such Contract to the Successful Vendor as the NCEL determines is in the best interests of the NCEL.

3.3 SUBCONTRACTING; ASSIGNMENT; COMPLIANCE

Except as provided in Section 2.5 of this ITB, the Successful Vendor is prohibited from subletting, conveying, assigning or otherwise disposing of the Contract, its rights, duties, obligations, title, or interest therein, or its power to perform the Contract to any person or entity without the prior written approval of the NCEL. The Successful Vendor shall comply with all applicable rules, procedures and regulations as adopted and/or amended from time to time by the NCEL under the Act, including, but not limited to, the Regulations, Policies and Procedures of the NCEL and Applicable Laws related to the performance of the Contract. The Successful Vendor warrants that it currently is, and will at all time during the term of the Contract remain, lawfully organized and constituted under all Applicable Laws.

3.4 TERM OF CONTRACT

The NCEL currently expects that the initial term of the Contract shall be from the execution date of the Contract through June 30, 2009 (the **"Initial Term"**). After the Initial Term, the Contract shall automatically renew for up to three (3) additional 1-year terms or any combination of extensions not exceeding three years **"Renewal Terms"** unless the NCEL sends a notice of termination at least thirty (30) days before the end of the then-current Initial Term or Renewal Term.

3.5 PATENTS, COPYRIGHTS, TRADEMARKS, TRADE SECRETS AND OTHER INTELLECTUAL PROPERTY; INTELLECTUAL PROPERTY INDEMNIFICATION

The Successful Vendor represents and warrants that its System, Services and performance under the Contract and all other deliverables, written materials, designs, tangible or intangible materials, intellectual or other property or other work product of any kind or nature produced, revised, created, modified or prepared by the Successful Vendor in connection with the Contract, this ITB or Procurement or for the NCEL (collectively, the “**Work Product**”) does not and will not infringe any patent, copyright, trademark, service mark or other intellectual property rights of any other person or entity, and that it and they will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

The Successful Vendor shall indemnify and hold harmless the NCEL, its officers, Commissioners, agents, retailers and employees and the State of North Carolina from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, including, without limitation, court costs, attorneys’ fees and other damages, arising out of, in connection with or resulting from the development, possession, license, modification, disclosure or use of any System, Services or Work Product.

3.6 WARRANTIES

The Successful Vendor represents, warrants and agrees that all Systems provided and Services rendered pursuant to this ITB, its Bid and the Contract have been and shall be prepared or done in a workmanlike manner consistent with the highest standards of the industry in which the Systems are provided and Services are normally performed.

3.7 BOOKS AND RECORDS; AUDIT REQUIREMENTS

The Successful Vendor shall maintain its books, records and other evidence pertaining to the Contract for three (3) years following the expiration or termination of the Contract. Financial and accounting records shall be available for inspection upon request to the NCEL, its internal auditors or external auditors (and any other designees) at any time during the term of the Contract. The Successful Vendor shall be subject to audit or inspection at any reasonable time and upon reasonable notice by the NCEL or its duly appointed representatives, including, without limitation, the NCEL’s auditors, the Office of the State Controller, the North Carolina State Auditor or any other appropriate representative of North Carolina state government. Specifically, without limitation, the Successful Vendor shall comply with the requirements of N.C.G.S. §18C-122 regarding independent audits.

3.8 INSURANCE

The Successful Vendor shall be required to maintain at least the following types and amounts of insurance during the term of the Contract from reputable and solvent carriers reasonably acceptable to the NCEL:

- General liability insurance in the amount of at least \$1,000,000, covering all liabilities and risks of any property damage and bodily injury to the NCEL or to any employee of the NCEL caused by the Successful Vendor, its officers, or employees, regardless of negligence;
- Workers Compensation Insurance at or above levels required by the State of North Carolina; and

- Such other types and amounts of insurance as the NCEL shall from time to time reasonably require.

The successful Vendor shall provide the NCEL with certificates of insurance within ten (10) days after the Contract date and at each anniversary date, extension or renewal of contract, and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of then existing bonds or insurance bonds or insurance policies during the term of the Contract.

3.9 TAXES, FEES AND ASSESSMENTS

The NCEL shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by the Successful Vendor or its subcontractors, joint venturers, agents, officers or employees. The Successful Vendor shall pay and discharge all such taxes when due.

3.10 NEWS RELEASE

The Successful Vendor shall not issue any news releases or participate in any media interview pertaining to this ITB, Procurement or the Contract without the express prior written consent of the NCEL in each instance, and then only in cooperation with the NCEL.

3.11 NONDISCRIMINATION

The Successful Vendor hereby covenants and agrees that no person shall be excluded from participation in, or be denied benefits of, the Contract, or be excluded from employment, denied any of the benefits of employment or otherwise be subjected to discrimination on the grounds of handicap or disability, age, race, color, religion, sex, national origin or ancestry, or any other classification protected by federal, North Carolina state constitutional or statutory law or other Applicable Laws.

PART IV – BID REQUIREMENTS

4.1 MANDATORY COMPONENTS; VENDOR COMMITMENT

The integrity of the NCEL is essential. The NCEL must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of North Carolina, the greatest integrity for the NCEL and the best service for the public, all in a manner consistent with the dignity of the State of North Carolina. A Vendor must sign and submit the Vendor Certification Form included as **Attachment A** and made a part hereof. The form must be signed by a person duly authorized to legally bind such Vendor.

4.2 VENDOR CONTACT PERSON

A Vendor shall provide the name, address, telephone number, e-mail address and facsimile number of the person to provide notification or contact concerning questions regarding its Bid.

4.3 BACKGROUND INFORMATION

The NCEL will investigate, at a minimum, the financial responsibility, security and integrity of any Vendor that submits a Bid. A Vendor must complete and submit as part of its Bid the Background Disclosure Form, included as **Attachment B** and made a part hereof.

4.4 DISCLOSURE OF LITIGATION AND LEGAL MATTERS

A Vendor should include in its Bid a disclosure of any pending or overtly threatened civil litigation in excess of \$500,000 or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil litigation in excess of \$500,000 or criminal litigation or indictment involving any of its subcontractors participating in its Bid. This disclosure requirement is a continuing obligation, and any litigation commenced after a Vendor has submitted a Bid under this ITB must be disclosed to the NCEL in writing within five (5) business days after notice of such action.

4.5 FINANCIAL SOUNDNESS

Under the Act, a Vendor must provide adequate information to permit an evaluation of its financial responsibility, stability and its capabilities to undertake and complete satisfactorily any Contract awarded and executed pursuant to this ITB. In that regard, a Vendor should submit a copy of its last three (3) years' financial statements that have been audited by an independent public accounting firm.

The Vendor's ratings will be verified by the NCEL prior to award of the Contract.

4.6 VENDOR BACKGROUND, EXPERIENCE AND CAPABILITIES

Minimum requirements:

- Vendor must provide the following:
 - Name of company;
 - Form of business entity;
 - Name, location and phone number of Vendor's representative to contact regarding all matters concerning the ITB;
 - Name, location and phone number of contact at the Vendor's Headquarters if different than above;
 - Rating and financial size category (FSC) of the Vendor by A.M. Best for the past five (5) years;
 - Ratings issued by Standard & Poor's, Moody's and Fitch for the past two (2) years;
 - Risk-Based Capital (RBC) results for the past five (5) years;
 - Insurance Regulatory Information System (IRIS) ratios for the past two (2) years;
 - Certificate of registration with the North Carolina Division of Insurance authorizing the Vendor to sell annuities in North Carolina;
 - A statement that the Vendor has a minimum of five (5) years experience in providing the type of annuities required;
 - A sample copy of an annuity application;
 - A sample copy of an annuity contract; and
 - Any other information the Vendor feels would be helpful to the NCEL during the evaluation process.
- A Vendor must have ratings from at least three (3) of the four (4) major rating companies, which fall within the following guidelines:
 - An A++, A+ rating from A.M. Best is required and counts as one of the three (3) required ratings.
 - The remaining two (2) ratings required may be any two (2) of the following:
 - Fitch rating: AAA, AA+, AA
 - Moody's rating: Aaa, Aa1, Aa2
 - Standard & Poor's rating: AAA, AA+, AA

- The Vendor may not have a rating below the following from any of these three (3) major rating firms:
 - Fitch: AA
 - Moody's: Aa2
 - Standard & Poor's: AA
- The Vendor must have an A.M. Best Financial size Category (FSC) of VIII or above.
- The Vendor must have a risk-based capital (RBC) ratio of 125 or better.
- The vendor must have less than four (4) abnormal Insurance Regulatory Information System (IRIS) ratios.

Each Vendor awarded a Contract resulting from this ITB has a continuing obligation to notify the NCEL immediately regarding any changes in the Vendor's qualifications as specified under this ITB.

4.7 PERSONNEL

A Vendor must provide personnel resumes for all key staff to be assigned to the NCEL annuity account. Each resume shall include the name, home address, home telephone number, title, current duties and responsibilities, education and any experience regarding the management of such annuity accounts, including details of any that relates to providing services similar to those described in this ITB. Resumes must also be provided of all other key individuals who will be assigned to work on any contract awarded pursuant to the ITB. Sufficient detail should be provided to enable the NCEL to ascertain that the personnel can perform the work specified in the ITB.

4.8 SCOPE OF SERVICES

4.8.1 INTRODUCTION

The NCEL launched an Instant Ticket Game in January 2008 that incorporates four (4) jackpot/ grand prizes. As part of the Instant Ticket Game, the NCEL offers jackpot winners an annuity with a guaranteed top prize of one million dollars (\$1,000,000.00) per prize award, payable in twenty (20) annual payments. It is the intent of this ITB to award multiple Contracts to qualified Vendors; whereby the NCEL may subsequently solicit Price Quotations from the selected pool of Vendors for each annuity prize award. The NCEL will then enter into a separate Contract with the successful bidder of the Price Quotation phase. The first payment will be made by the NCEL and the remaining nineteen (19) payments shall be made by the successful bidder. Payments will be made in equal installments, one each year on or before a specified date as determined by the NCEL. Where there is more than one claimant on an annuity prize award, each winner shall receive a pro-rata share for the term provided. As new game concepts are developed over the life of the Contract(s), there may be other annuity offered as part of a game award. Details on the type of annuity required will be provided by the NCEL when it requests a price quotation from the Vendors.

4.8.2 OWNERSHIP

The NCEL shall be the custodian of any annuity and shall designate the beneficiary (payee). The Vendor shall communicate exclusively with the NCEL concerning the annuity.

The Vendor shall comply with directions from the NCL to change a Payee as may be directed by an appropriate judicial order. If a judicial order requires payment of an annual installment amount to more than one person or entity, the Vendor shall be required to make separate checks or drafts payable to each payee and make delivery of same to each payee, as instructed by the NCEL. Any change request received by the Vendor directly from a payee shall immediately be sent to the NCEL.

4.8.3 PAYMENT PERIOD

Any annuity shall be payable for the full term regardless of the continued longevity of the prize winner.

4.8.4 METHOD OF ENGAGEMENT

A. When a prize winner is determined by the NCEL, the NCEL Finance Division will contact the vendors from the selected pool of qualified vendors in writing (via fax or email) providing them with the prize payment schedule and request a firm, fixed price for the specific annuity prize. The firm, fixed price is all-inclusive of direct cost and indirect costs, including, but not limited to, direct labor costs, overhead, fee or profit, clerical support, equipment, materials, supplies, managerial (administrative) support, all documents, reports, forms, travel, reproduction and any other costs. No additional fees or costs shall be paid by the NCEL unless there is a change in the term of the annuity prize.

B. Within the time period specified (generally three (3) business days), the Vendors shall submit a firm, fixed price for the particular prize winner by fax or email to the NCEL Finance Division, Attn: Director of Finance.

C. The Vendor submitting the bid that best meets the needs of the NCEL for each prize winner shall be given the Annuity Award for that specific annuity purchase. Each Vendor will receive notice from the NCEL Finance Division of the results for each specific annuity award.

4.8.5 PURCHASE AND DELIVERY OF ANNUITY

A. Upon selection of a successful Vendor, the NCEL will issue payment to the successful Vendor to purchase the annuity in accordance with the firm fixed bid price within five (5) business days of the NCEL's acceptance of the price quote.

B. The Vendor shall assign a unique account number for each annuity awarded. The account number shall be used for the purpose of identifying the specific prize winner and the annuity purchased for the prize winner.

C. The Vendor shall supply monthly statements to the NCEL Finance Division for all the annuities awarded. The statements, which are due by the fifth business day of each month, shall provide, at a minimum, the following information:

- Account Number
- Prize Winner's Name
- Beginning Balance
- Interest Rate
- Payments Made
- Net Interest

- Ending Balance

D. Payments shall be made directly to the NCEL, with the Prize Winner's Name and Account Number.

E. The Vendor is prohibited from making direct contact with the prize winner regarding the annuity prize award or make disbursements of funds to such person without written authorization by the NCEL.

F. The annuity contract shall be supplied to the NCEL from the Vendor within ten (10) business days of the annuity award.

G. The Vendor shall submit reports and certifications (i.e., Standard & Poor's Certification) as requested by the NCEL.

H. The NCEL reserves the right to request financial or other information concerning the Vendor's ability to perform, at any time, until the last annuity payment is made under the annuity contract.

I. During the period of the annuity contract, no change shall be permitted in the terms, conditions and specifications unless the Vendor receives written approval from the NCEL.

J. The Vendor shall comply with NCGS §18C-132(k) regarding the confidentiality of certain prize winners' information.

4.9 COMMITMENT TO NONDISCRIMINATION AND MINORITY PARTICIPATION

The Act has specific references to minority participation in the formation and operation of the NCEL and requires compliance with Article 8 Chapter 143 as applicable. The NCEL strongly encourages participation by, and involvement of, minority-owned businesses. In order to achieve or exceed the goals established by the Act and Applicable Laws, and to provide equal business opportunities in the procurement process, the NCEL encourages Vendors to contract with minority-owned businesses whenever and wherever possible. The NCEL wishes to make every reasonable effort to utilize minority-owned businesses when opportunities exist. The NCEL will take active steps to encourage full participation of qualified, capable, competent and competitive minority-owned businesses, possibly including, but not limited to, the implementation of a minority business participation outreach plan, utilizing media likely to inform potential minority businesses of the bid being sought and work with the Office of Historically Underutilized Businesses to identify minority businesses that have previously indicated an interest in the procurement process with respect to the lottery industry. Given the NCEL policy regarding participation of minority businesses and the express provisions of the Act, a Vendor shall carefully consider the inclusion, of, and shall commit not to discriminate against, minority businesses in the development of its Bid and provisions of its Services.

4.9.1 MINORITY BUSINESSES PARTICIPATION

Each Vendor should describe in its Bid what actions it currently takes, and will agree in the future to take, in the areas of: (a) utilizing minority-owned businesses; (b) encouraging full participation of qualified, capable, competent and competitive minority-owned businesses; (c) assisting minority businesses or minority persons; and (d) any plans to continue to provide interested minority businesses with adequate information about any

subcontracting opportunities. Bids should describe what minority businesses the Vendor uses or intends to use.

4.9.2 NON-DISCRIMINATION

Each Vendor should describe in its Bid what actions it currently takes, and will agree in the future to take, in the areas of: (a) ensuring a workplace free of all discrimination on the basis of race, color, religion, national origin, age, sex, disability or otherwise; (b) ensuring a diverse workforce and providing equal opportunities; and (c) ensuring and maintaining a work environment free of harassment, intimidation and coercion.

PART V - COST

5.1 PRICING FORMULA

The Vendors shall provide a current bid for an annuity prize of nineteen (19) payments of fifty thousand dollars (\$50,000.00) per year beginning January 31, 2008, with the first payment to be issued on January 1, 2009.

ATTACHMENT A

VENDOR CERTIFICATION

LOTTERY PRIZE ANNUITY FUNDING

I do hereby certify as follows:

1. The initial prices and other terms and provisions included in the Bid submitted by _____ (the "Proposing Vendor") are accurate and binding for fourteen (14) days from the Bid due date (the "Bid Offer Period");
2. All charges are, to the best of my knowledge, accurate and complete;
3. The Proposing Vendor acknowledges and agrees that this Bid will be considered valid and irrevocable for the Bid Offer Period and, if an award is not made within the Bid Offer period or if a Contract with the Successful Vendor is for any reason not executed within the Bid Offer Period, it shall be incumbent upon the Proposing Vendor to notify the designated contact person identified in Section 2.2 of the ITB in writing if it does not want its Bid to be further considered beyond the Bid Offer Period (i.e., in the event of a breach or termination, the NCEL may decide to return to the remaining Vendors' Bids). Failure on the part of the Proposing Vendor to notify the designated contact person identified in Section 2.2 of this ITB will mean that its Bid remains valid even after the Bid Offer Period;
4. The cost and other terms and provisions contained in the Bid accurately reflect the Proposing Vendor's total proposed cost, including any applicable discounts, and the Proposing Vendor would deliver the services and related items for that amount and according to those terms and provisions if the NCEL wanted to accept the prices and other terms and provisions described in its Bid without negotiation;
5. All inquiries to the NCEL and other pre-Bid review and evaluation efforts have been completed and that no extra costs or payments to any entity, including this Proposing Vendor, will be allowed for any miscalculation, deficiency, oversight and failure to make suggestions regarding possible additional needs for desired features, or any other difference in cost if later discovered;
6. By submission of this Bid, the Proposing Vendor agrees to fully comply with all requirements of the ITB, and its separate parts, and any deviation noted in the Proposing Vendor's submission may be the basis for rejection of its Bid by the NCEL without recourse;
7. The Proposing Vendor has read and understands the Act and all of the requirements contained in the ITB and any amendments thereto, the responses to written questions submitted by Vendors and its Bid, and agrees to be bound by all the terms and conditions contained in each of these documents, without exception;
8. The Proposing Vendor has taken appropriate steps to completely and fully familiarize itself with the requirements of the ITB in order to render full performance under any resulting relationship between the NCEL and Proposing Vendor; and

9. This Bid is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a Bid for the services and is in all respects fair and without collusion or fraud.

(Signature of Authorized Representative)

(Print Name)

(Title)

(Date)

ATTACHMENT B

VENDOR BACKGROUND DISCLOSURE FORM

*For any subcontractor that comprises at least twenty-five (25%) of the cost of the Vendor's Bid (a "25% Subcontractor"), disclose all the same information for each 25% Subcontractor as if each 25% Subcontractor were itself the Vendor. In addition, disclose all of the same information for each member of a joint venture, a strategic partnership or a prime contractor team as if each such joint venturer, strategic partner or member of a prime contractor team were itself the Vendor. (Vendor and all members of a joint venture, a strategic partnership or a prime contractor team are sometimes herein referred to as "**Vendor Team.**")*

[These pages may be copied and used as needed]

PLEASE PROVIDE THE FOLLOWING INFORMATION:

1. Name of Business:
2. Type of legal entity and the state under whose laws the business entity is organized:
3. Address:
 - a. All prior addresses for the prior ten (10) years:
4. Telephone Number, including area code:
5.
 - a. List any trade names or assumed names used:
 - b. List all states where each name is or has been used:
 - c. Attach verification of authorization to conduct business in the State of North Carolina.
6. For each member of the Vendor Team, if applicable, list the details of any bankruptcy, insolvency, reorganization or corporate or individual purchase or takeover of another business, including bonded indebtedness, or any pending litigation:
 - a.
 - Filing or action:
Date of filing or action:
Court of filing or action:
Date of discharge if bankruptcy:
Pending litigation:
 - b.
 - Filing or action:
Date of filing or action:

Court of filing or action:

Date of discharge if bankruptcy:

Pending litigation:

7. List all the individuals constituting the Vendor Team who will work on the NCEL Contract.
8. Does any "public officer" or employee of such public officer have an ownership interest of five percent (5%) or more in any member of the Vendor Team? If yes, please provide details.
9. List any conflict of interest with the products, promotions and goals contemplated by the NCEL that could result from other projects in which the Vendor Team or any of the staff members designated to work on the project are involved. Failure to disclose any such conflict may be cause for Contract termination or disqualification of the Bid.
10. List all lobbyists and consultants working on behalf of the Vendor Team in connection with this Bid or any subsequent Contract.

Attachment B Certification

I, _____, hereby certify that I am duly authorized to act on behalf of the Vendor and Vendor Team. In that capacity, I hereby certify that the Vendor and all members of the Vendor Team have filed appropriate tax returns as provided by the laws of the State of North Carolina. I further warrant that the information contained in this Contract Compliance and Financial Disclosure Form is true and complete, and acknowledge that a finding that it is not true or complete may result in a cancellation of the Contract.

I further certify that the Vendor and each member of the Vendor Team recognizes and acknowledges that there are certain limitations on their activities, now and in the future, including, but not limited to, limitation on certain political contributions, limitation of the ability to submit Bids, in response to subsequent request for Bids issued by the NCEL, limitation on the ability to purchase lottery tickets. The restrictions on the ability to purchase lottery tickets and entering into contracts or other arrangements apply to the employees of the Vendor and the members of the Vendor Team as well as the members of all such employees' households, and the Vendor and each member of the Vendor Team will enforce such restrictions upon its employees and subcontractors.

(Signature of Authorized Representative)

(Print Name)

(Title)

(Date)

ATTACHMENT C

AUTHORIZATION FOR VENDOR INVESTIGATION

I, _____, hereby authorize the North Carolina Education Lottery or its designee to conduct a Vendor background investigation, including the civil litigation and financial credit history of _____. I hereby release all organizations, individuals, agencies, and other employees and agents from any liability that may result from their furnishing such information and authorize all organizations, individuals, agencies and their employees and agents contacted by the North Carolina Education Lottery or its designee to provide such information. A photocopy of this release will be valid as an original thereof, even though said photocopy does not contain an original writing of my signature.

(Signature)

(Print Name)

(Title)

(Date)

Company EIN

NOTARY:

State of _____, County of _____

Subscribed and sworn to before me this ____ day of _____ 2008.

Notary Public _____

My commission expires _____

[SEAL]

ATTACHMENT D

COST PROPOSAL

Use this form for your pricing.

(Signature of Authorized Representative)

(Print Name)

(Title)

(Date)